

# **Medicaid 101**

## **Bagels & Briefing**

Presented by  
Office of Legislative Research and General Counsel  
January 30, 2007

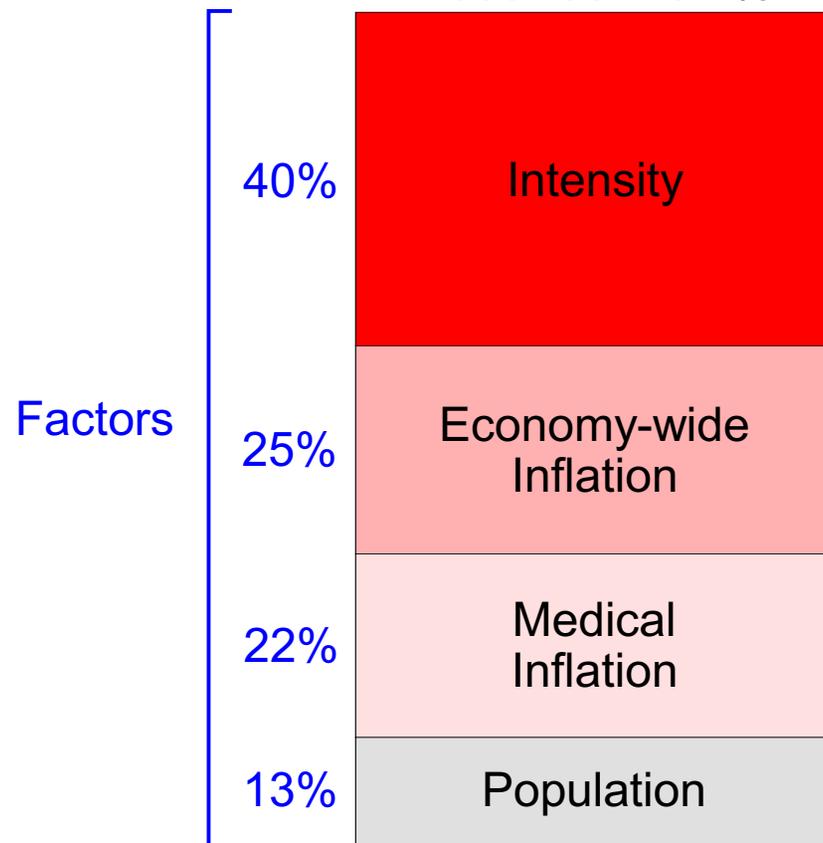
## What can be done to contain costs?

### Cost Drivers

#### Factors Affecting Growth in Personal Health Care Expenditures

(U.S., 2000-2003)

Average Annual Growth,  
2000--03 = 8.2%



## What can be done to contain costs?

### Cost Drivers

#### Medicaid vs. Personal Health Care Expenditures Growth

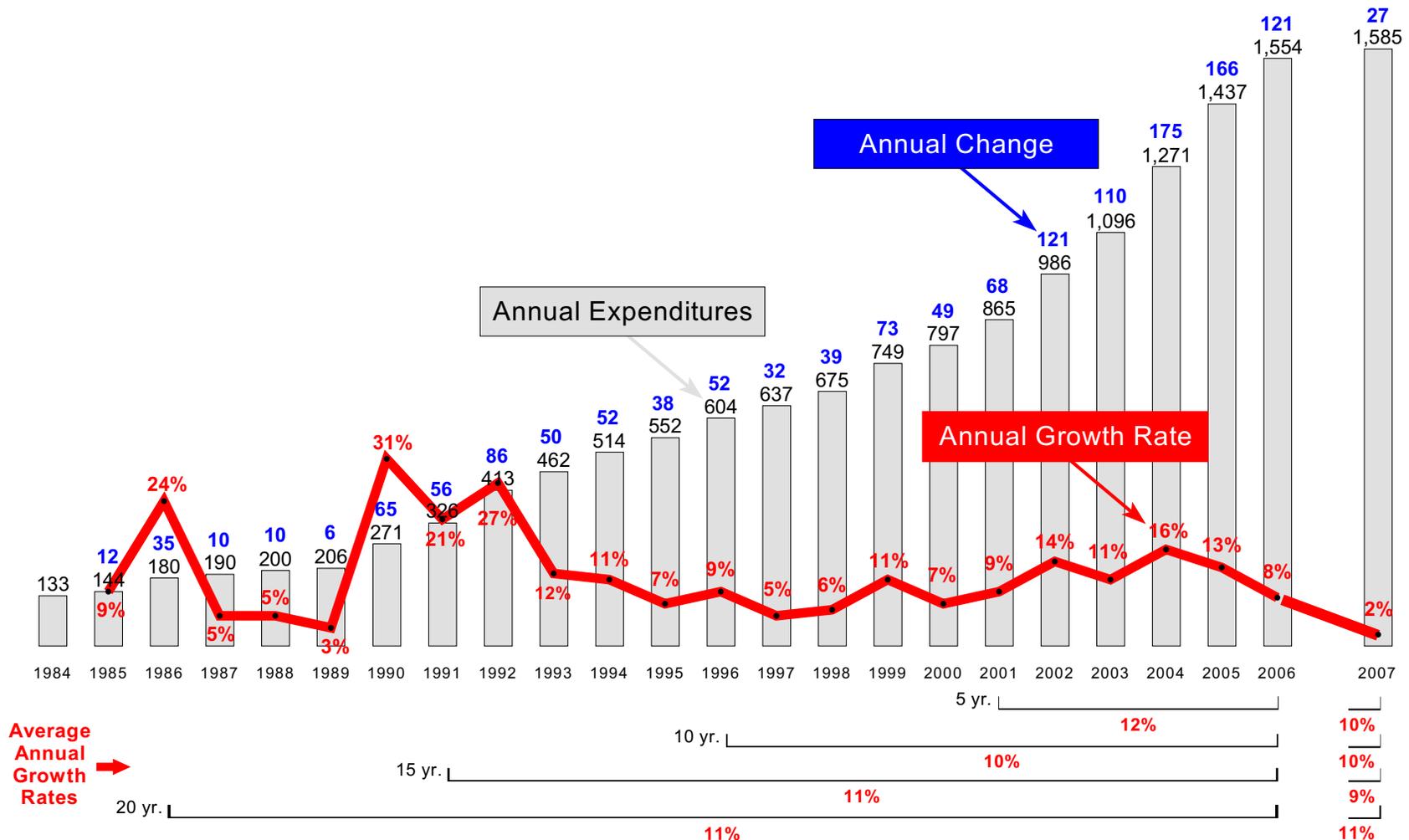
Average Annual Rates of Growth, 1980--2004	
U.S. Health Expenditures	8.6%
UT Health Expenditures	9.7%
U.S. Medicaid	10.5%
UT Medicaid	12.0%

# Why is understanding Medicaid important?

## Medicaid is Growing Rapidly

### Utah Medicaid Expenditures and Annual Growth Rates, 1984-2006

(Total State and Federal Funds, In Millions; Administration Excluded)



Utah Department of Health, Division of Health Care Financing, October 2004 and September 13, 2005. Data on file at the Office of Legislative Research and General Counsel. FY 07 data from the Governor's Office of Planning and Budget, June 12, 2006. Rate changes calculated by OLRGC. Following supplemental appropriations during the 2006 Annual General Session, the FY 06 total was revised downward from \$1,558M to \$1,554M and the FY 06 amount for administration (not included in the total) was revised upward from \$63.4M to \$69.6M (GOPB). The FY 07 appropriation for administration is \$71.4M (GOPB).

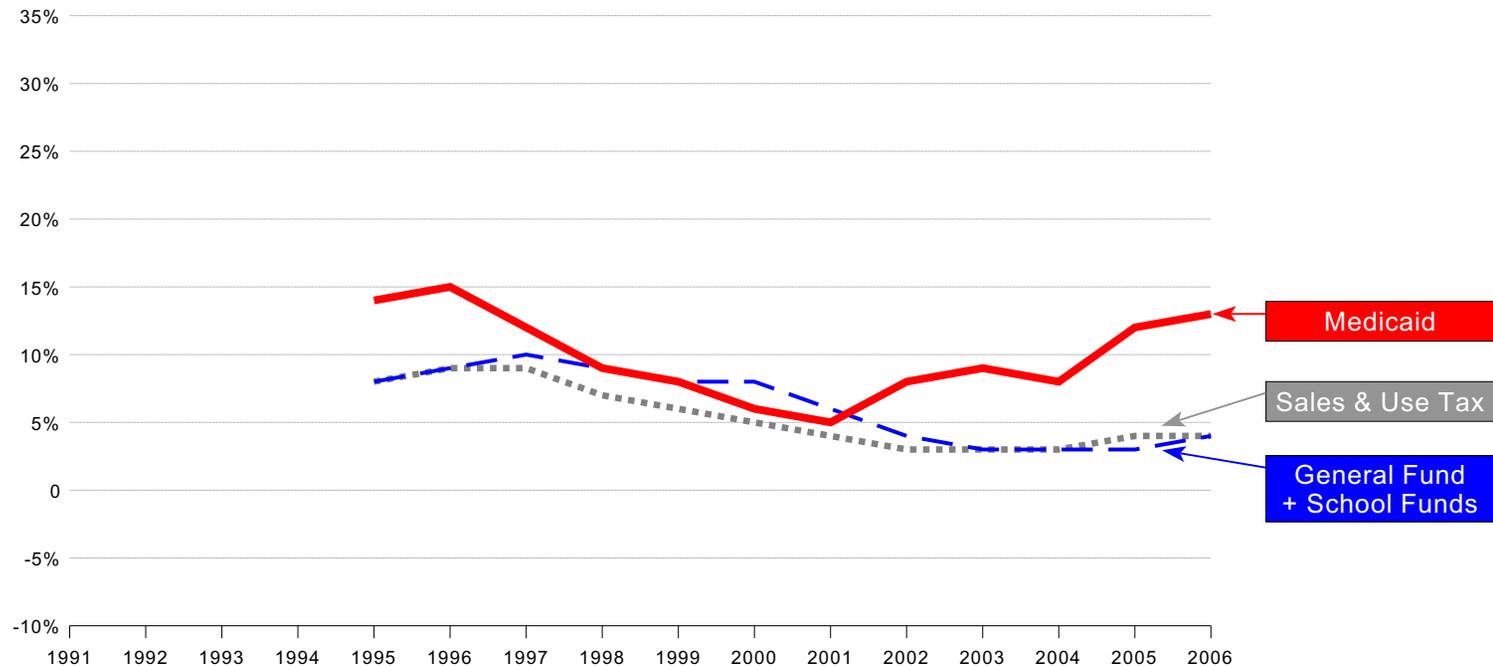
## Why is understanding Medicaid important?

# Medicaid is Growing Faster Than Sales Tax and Combined General and State School Fund Revenues

Five-Year Moving Average Annual Growth in Revenue and Medicaid General Fund Expenditures

2006 Average Annual Growth Rates			
	Sales and Use Tax	General and School Funds	Medicaid
5 Year	4%	4%	13%
10 Year	4%	5%	9%
15 Year	6%	6%	11%

2006 Growth Indices			
	Sales and Use Tax	General and School Funds	Medicaid
5 Year (2001 = 1.00)	1.19	1.22	1.87
10 Year (1996 = 1.00)	1.47	1.66	2.45
15 Year (1991 = 1.00)	2.30	2.57	4.84



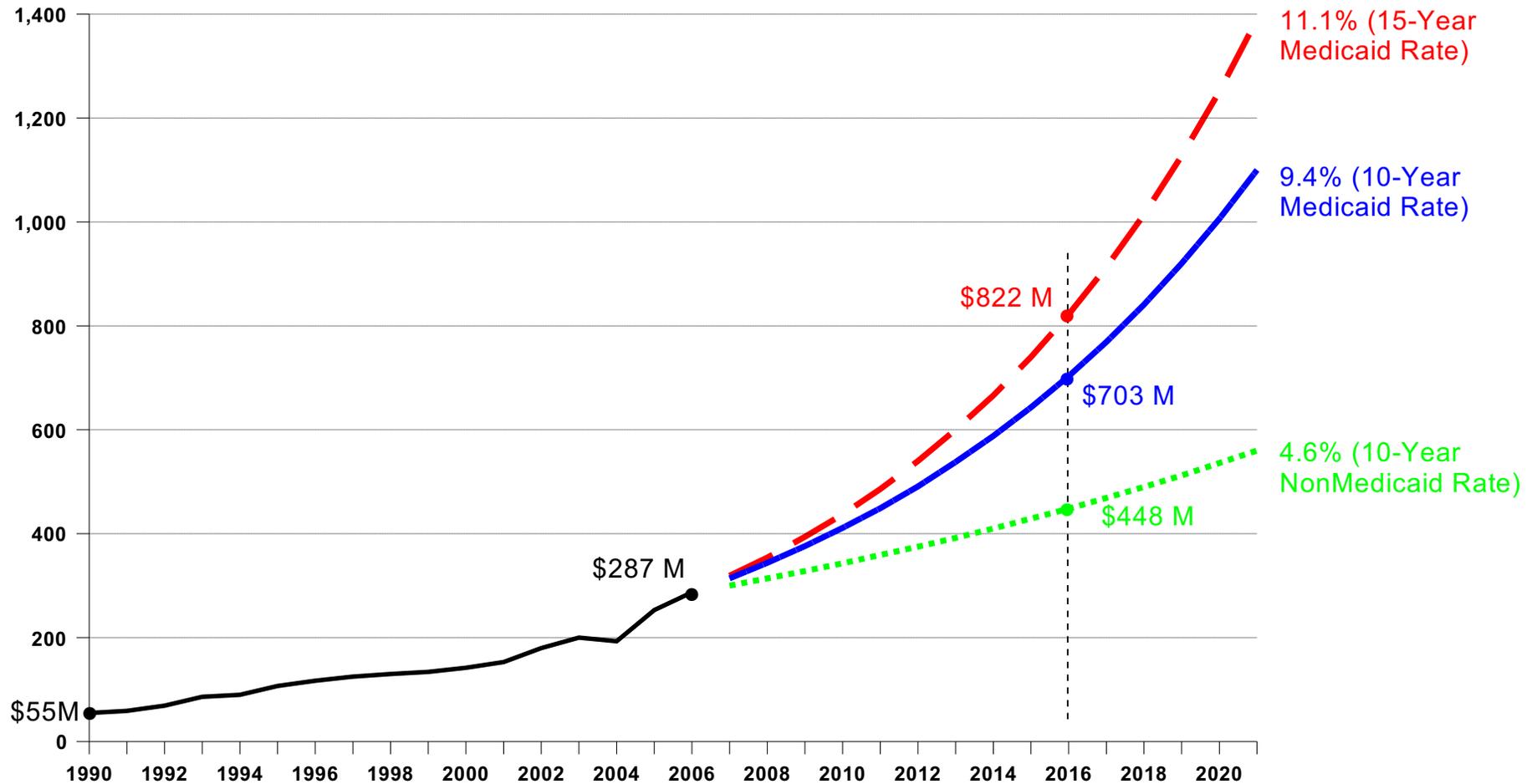
Medicaid data: Utah Department of Health, Division of Health Care Financing, October 2004 and September 13 and 19, 2005; data on file at the Office of Legislative Research and General Counsel; administration excluded; 2006 expenditures reflect original appropriations and do not include supplemental appropriations made during the 2006 Annual General Session. Revenue data: State of Utah, "2006 Economic Report to the Governor," pp. 81-82, available at <http://governor.utah.gov/dea/ERG2006.html>. All growth rates and indices calculated by OLRGC. Graph values for each year are the average annual growth rates for the five most recent years.

# Why is understanding Medicaid important?

## Medicaid is Growing Rapidly

### Actual and Projected Medicaid General Fund Expenditures

(In Millions; Administration Excluded)

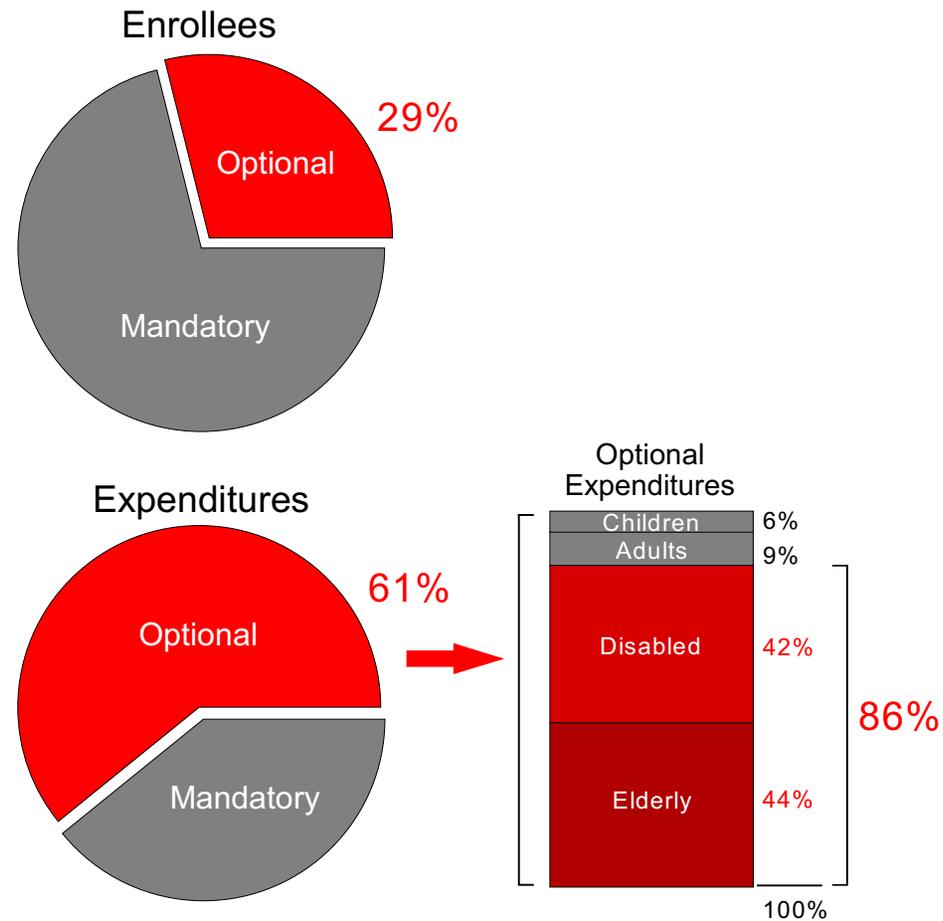


Utah Department of Health, Division of Health Care Financing, October 2004 and September 13 and 19, 2005. Data on file at the Office of Legislative Research and General Counsel. 2006 figure does not include supplemental appropriations made during the 2006 Annual General Session. Projections are based on historical expenditure rates only and do not explicitly account for many factors that could affect spending. "10-Year NonMedicaid Rate" refers to the rate of growth in expenditures from the General Fund and School Funds for programs other than Medicaid.

## What can be done to contain costs?

### Elderly and Disabled Enrollees Account for 86% of Optional Services Spending

(U.S., 2001)



# COST CONTAINMENT

## WHY

Budget

Adequacy

Demographics

# 31%

Increase in ratio of 65+ to under 65  
2005--20

# COST CONTAINMENT

## WHY

Budget

Adequacy

Demographics

6.4

Increase in nonworkers per worker

2005--2020

# COST CONTAINMENT

## WHY

Adequacy

Budget

Demographics

## HOW

Relative Limit

## X% of General Fund or state-funded budgets

State-funded Medicaid as a Percentage of State-funded Budgets	
Range	States
3% -- 5%	3
6% -- 8%	14 UT (6%)
9% -- 11%	12
12% -- 14%	13 US (13%)
15% -- 17%	2
18% -- 20%	5
21% +	1

Includes state funds only

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**MEMORANDUM**

Note: This memo was distributed as part of the Medicaid Interim Committee's November 14 report to the Executive Appropriation Committee.

**TO:** Senator Sheldon L. Killpack  
Representative Merlynn T. Newbold  
**FROM:** Mark Andrews, Policy Analyst  
**DATE:** November 14, 2006  
**SUBJECT:** Medicaid Growth Trends

As requested, I am providing a summary of information presented at the Medicaid Interim Committee's November 10, 2006 meeting along with some additional estimates.

**THE PAST**

Although Medicaid grows at various rates from year to year, the long-term growth rate in General Fund appropriations is 11%. On the other hand, the long-term growth rate in total General Fund appropriations is 5.5%.

Given this difference in growth rates, Medicaid is doubling as a percentage of total General Fund appropriations every 14 years. In FY 91, Medicaid appropriations accounted for 6.6% (\$59M) of General Fund appropriations. By FY 07 that figure had more than doubled to 14.5% (\$316M).

**THE FUTURE**

**No Change** Projected forward at these growth rates, Medicaid will account for 31% (\$1,500M) of total General Fund appropriations in FY 22. If these assumptions held in the very long term (which is not likely for various reasons), by 2045 (38 years) Medicaid would account for 100% of total General Fund appropriations.

**1% Point Reduction** If the long-term average annual rate of growth in General Fund appropriations for Medicaid were reduced by one percentage point from 11% to 10%, in FY 22 Medicaid would account for 27% (\$1,300M) of total General Fund appropriations and the FY 22 appropriation would be 13% lower than it would be otherwise. This would amount to a total reduction in payments over the period FY 08–22 of as much as (\$1,000M).

**Medicaid Constant at 14.5% of the General Fund** If the long-term average annual rate of growth in General Fund appropriations for Medicaid were reduced by ½ from 11% to 5.5%, in FY 22 Medicaid would still account for 14.5% (\$706M) of total General Fund appropriations and the FY 22 appropriation would be 53% lower than it would be otherwise. This would amount to a total reduction in payments over the period FY 08-22 of as much as (\$4,600M).